

2003 State Small Business Profile: TENNESSEE

In 2002-2003, gross domestic product continued to rise nationwide, while growth in employment remained slow to recover. Small businesses continued to be a source of economic strength nationally and in Tennessee. Research from the Office of Advocacy shows that half of U.S. private non-farm output and employment stem from small firms with 500 or fewer employees. Women and minority entrepreneurs are also significant participants in the state's economy. Advocacy uses a variety of data bases to document the contributions of small, minority-, and women-owned businesses in Tennessee.

Number of Businesses. The number of employer businesses in 2002 decreased by 0.4 percent and numbered 108,928. The number of self-employed individuals increased an estimated 9.3 percent in 2002. In the state, 97.1 percent of the businesses were small (with fewer than 500 employees based on 2000 firm size data) (Source: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Census Bureau; U.S. Dept. of Labor, Bureau of Labor Statistics).

Women-Owned Businesses. In 2002, self-employed women totaled 74,255, or 31.5 percent of self-employed workers in the state (Source: U.S. Dept. of Labor, Bureau of Labor Statistics). Women-owned businesses totaled 99,800, of which 15.3 percent had employees. They generated \$14.5 billion in revenues in 1997 (Source: U.S. Dept. of Labor, Bureau of Labor Statistics; U.S. Dept. of Commerce, Census Bureau).

Minority-Owned Businesses. Minority-owned businesses represented 7.8 percent of the state's businesses and generated \$4.6 billion in revenues in 1997. Of these minority-owned businesses, 18.5 percent had employees (Source: U.S. Dept. of Commerce, Census Bureau).

Business Turnover. Between 2001 and 2002, new employer firms decreased 3.1 percent to 15,982. Business bankruptcies decreased by 17.0 percent, and totaled 735 in 2002. Business terminations decreased by 6.4 percent, and totaled 16,514 in 2002 (Source: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts; U.S. Dept. of Commerce, Census Bureau).

Employment. In 2000, businesses with fewer than 500 workers employed 44.9 percent of the state's 2,390,322 non-farm sector employees (see Table 1). The industry with the most small business employees was manufacturing. Between 1999 and 2000, small businesses added a net total of 36,806 employees; they represented 80 percent of net non-farm employment change in the state (see Table 2) (U.S. Dept. of Commerce, Census Bureau, Statistics of U.S. Businesses).

Small Business Income. Non-farm proprietors' income—a partial measure of small business income—increased by 4.7 percent in 2002 and amounted to \$17.0 billion (Source: U.S. Dept. of Commerce).

Finance. Small businesses traditionally depend on local bank services and use commercial bank lenders. The number of banks in the state has decreased. The largest concentration of banks by asset size was in the less than \$100 million category. A list of small-business-friendly banks in the state has been published by the Office of Advocacy in its banking studies and is available on the website at www.sba.gov/advo/stats/lending. (See Table 3 for the number of banks by asset size.) Small businesses seeking loans should also consider lenders that participate in the SBA's preferred or certified loan programs; for a list of these lenders, call the Small Business Answer Desk at (800) 827-5722.

To obtain more information about the Office of Advocacy's data, research reports, and analyses of small business, go to: www.sba.gov/advo/stats or call (202) 205-6530. Special thanks to Ryan Miller, Advocacy intern, for his work drafting this report along with Victoria Williams.

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Note: Data on women- and minority-owned firms are not comparable between 1992 and 1997, so growth rates are not available.

Table 1. Firms and Employment in Tennessee by Industry and Firm Size (Thousands), 2000

Industry	Non-employer Firms	Employer Firms		Employment	
		Total	<500	Total	<500
Total	339.4	102.4	99.4	2,390.3	1,074.1
Agriculture, forestry, fishing, and hunting	4.2	0.3	0.3	1.7	*
Mining	0.4	0.2	0.1	4.3	1.8
Utilities	0.2	0.1	0.1	3.4	*
Construction	62.3	11.3	11.2	131.4	111.7
Manufacturing	5.4	6.4	5.7	475.6	144.4
Wholesale trade	7.2	6.7	6.1	126.6	71.1
Retail trade	39.9	16.2	15.7	311.5	130.8
Transportation and warehousing	16.6	3.5	3.3	104.2	35.0
Information	4.3	1.5	1.4	52.1	16.8
Finance and insurance	12.1	4.7	4.4	102.4	37.2
Real estate; rental and leasing	27.1	4.0	3.9	33.9	22.4
Professional, scientific, and technical services	37.7	9.4	9.2	95.1	62.9
Management of companies and enterprises	N/A	0.6	0.3	73.9	4.5
Admin., support, waste mgnt., and remed. services	22.3	5.3	5.0	187.6	64.9
Educational services	4.0	0.9	0.8	43.3	23.2
Health care and social assistance	19.7	9.9	9.7	285.2	121.3
Arts, entertainment, and recreation	16.1	1.9	1.9	22.5	20.0
Accommodation and food services	4.3	6.6	6.3	198.0	102.0
Other services	55.7	13.4	13.3	113.0	96.8
Auxiliary, except corp, subsidiary, and regional managing offices	N/A	0.2	0.1	22.8	1.2
Unclassified	N/A	1.3	1.3	1.9	1.9

*Data suppressed to protect the confidentiality of individual firms.

Source: U.S. Department of Commerce, Census Bureau.

Table 2. Non-farm Establishment Job Gains and Losses by Firm Size (Thousands), 1999–2000

	Total	Firm Size	
		1–19	1–499
Gains:			
New establishments	125.6	31.8	64.5
Expanding establishments	259.6	58.1	136.0
Losses:			
Downsized establishments	(207.2)	(35.9)	(97.5)
Closed establishments	(131.8)	(31.8)	(66.2)
Net change in employment	46.1	22.2	36.8

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 2000.

Table 3. Number of Banks in Tennessee by Asset Size, 1998–2002

					Number of Banks by Asset Size, 2002				
1998	1999	2000	2001	2002	Below \$100M	\$100M–\$500M	\$500M–\$1B	\$1B–\$10B	Over \$10B
214	204	194	194	190	92	86	9	0	3

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Reserve Board.

The full list of small-business-friendly banks can be found on the Office of Advocacy's website at www.sba.gov/advo/stats/lending.